

APPENDIX A
COMPLIANCE SUPPLEMENT FOR DEPARTMENT OF ECONOMIC AND COMMUNITY
DEVELOPMENT PROGRAMS

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APPENDIX A
COMPLIANCE SUPPLEMENT FOR DEPARTMENT OF ECONOMIC AND COMMUNITY
DEVELOPMENT PROGRAMS

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Department of Economic and Community Development
Community Housing Development Corporation
12064-ECD46000-40238-015 and 12064-ECD46000-40237-015

I. PROGRAM OBJECTIVES

The objective of the Community Housing Development Corporation (“CHDC”) program is to provide funds to eligible developers to undertake the construction or rehabilitation of either owner-occupied or multi-family housing. A qualified eligible developer can receive an interest-free loan from the Department of Economic and Community Development (“DECD”) which can be used in one of two ways, or a combination of both:

- (1) The developer can use the loan to establish a Loan Fund to undertake new construction or rehabilitate existing housing structures for low and moderate income homeowners or private owners or corporations who agree to rent the housing units only to low and moderate income persons or families; or
- (2) The developer can use these funds to make rehabilitation or renovation loans to low and moderate-income homeowners or to the owners of low and moderate income rental housing units.

Funds are also available as seed money which provides a developer with advance funds necessary to develop housing affordable to low and moderate income families. Advances are made solely for expenses which are recoverable in the permanent mortgage.

A qualified non-profit corporation can receive a grant for use in establishing grants, loans, or deferred loans to households for handicapped accessibility modifications. (Section 8-218, CGS)

A qualified non-profit corporation can receive a grant for use in providing grants for adaptability. (Section 8-218, CGS)

Provide a grant-in-aid to Local Initiatives Support Corporation chartered as a state-wide HDC, for capacity building, technical assistance, and predevelopment activities. (Section 8-218, CGS)

II. PROGRAM PROCEDURES

The program contracts for services related to the rehabilitation and construction of housing for low and

moderate-income persons or families. Funds are made available to Community Housing Development Corporations (“CHDCs”) which are organized for the purpose of developing low and moderate income housing upon approval by the DECD of the CHDC’s application for funding or to eligible developers as defined in Sec. 8-39, CGS.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Services allowed include:

- (1) Any repairs or rehabilitation work performed on an eligible structure, which is necessary to bring a unit up to a decent, safe, and sanitary level, or to make a unit accessible to a handicapped or developmentally disabled person, or which is necessary to bring a major building system which is in danger of failure, into good repair.
- (2) Expenses for additions for handicapped accessibility and adaptability modifications.
- (3) Repairs or rehabilitation necessary to bring ground floor commercial space to a decent, safe, and sanitary condition may be an eligible expense at the discretion of the Commissioner of the Department of Economic and Community Development (“DECD”)
- (4) Local Initiative Support Corporation (LISC) services.

Services disallowed include expenses for redecoration, additions, or refurbishing.

(Section 8-218, CGS)

Suggested Audit Procedures

- (1) Review the Assistance Agreement and Project Financing Plan and Budget to determine the costs allowed under the program.
- (2) Test financial records and reports by examining supporting information to determine whether costs are allowed under the grant award.

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B. Eligibility

Compliance Requirements

- (1) Owners of buildings located within an approved target area and which contain at least one unit occupied by a person of low and moderate income.
- (2) Units which are occupied by persons other than low-income persons are not eligible for assistance under the program unless such unit is occupied by a person who is handicapped or developmentally disabled.
- (3) Grants for handicapped access only to eligible income limit households and grants/loans to handicapped tenants must have landlord authorization.
- (4) Eligible developers.

(Section 8-218, CGS)

Suggested Audit Procedures

- (1) Review the procedures used to determine eligibility and evaluate for adequacy.
- (2) Examine related records and determine whether units are occupied by low and moderate-income persons or persons who are handicapped or developmentally disabled, and whether the landlord has approved the tenant application.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

- (1) Public and private cooperation projects require a private sector match equal to or greater than the amount of the proposed grant or loan. (Section 8-218a, CGS)
- (2) There are no matching, level-of-effort, or earmarking requirements for the CHDC program. (Section 8-218, CGS)

Suggested Audit Procedures

- (1) Examine Assistance Agreement and Project Financing Plan and Budget to determine matching share requirement.
- (2) Determine the total expenditures of the program.
- (3) Examine receipts and disbursements to determine that the appropriate matching funds have been made by the grantee.

D. Special Reporting Requirements

Compliance Requirements

Corporations must submit Quarterly Financial Statements (E-23 and E-24) to the DECD.

(Section 8-218, CGS)

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation.

E. Special Tests and Provisions

Compliance Requirement

The cost for repair of building wide systems should be prorated among the units occupied by low and moderate-income persons and those which are not so occupied.

Suggested Audit Procedures

Review the expenditures and related records and ascertain that the percentage charged to the low and moderate-income units is acceptable.

Congregate Services Subsidy

11000-ECD46400-16068-033

I. PROGRAM OBJECTIVES

To provide financial assistance in the form of a congregate subsidy grant to assist in the payment of rent and to provide congregate support services which are necessary to enable semi-independent living in a residential setting for frail elderly. These services include one main meal a day, housekeeping services, personal care services to assist in the delivery and enhancement of daily living activities, and a 24 hour emergency service. Personal care services to assist in delivery and enhancement of daily living activities are available to residents based on an individual evaluation and assessment of need. Provided services may be subsidized in whole or in part through DSS or DECD. Based on their financial circumstances, residents may also contribute towards the cost of personal care services.

II. PROGRAM PROCEDURES

Any Housing Authority, nonprofit organization, or private developer which operates a congregate housing facility may apply and contract for a congregate subsidy grant. The grant will provide a rental assistance payments component, a congregate core services component, an expanded cored services component and an assisted living services component. The rental assistance component will assist residents paying in excess of thirty percent of their adjusted gross income toward base rent and utilities. The congregate core services component will offset the costs of congregate services not paid for by the tenants. Tenants will be required to pay an amount toward congregate services costs, based on their net income after allowances, in accordance with a formula approved by the Commissioner of DECD. The expanded core services component will be funded entirely with grant funds for the purpose of hiring a Resident Services Coordinator, and providing wellness/preventive programs along with emergency transportation for residents. The costs attributable to this component cannot exceed the amounts budgeted by each line item. The assisted living component is either funded in whole or in part by either DSS or DECD. An

assessment of the tenant is conducted to determine the level of services required. Tenants may be required to pay a portion of their assisted living services based on their income/assets in accordance with a formula approved by the DSS and DECD. Congregate and assisted living services charges, together with any available congregate subsidy grant or other available income, shall generate sufficient income to meet the costs of the congregate services components.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types Of Services Allowed Or Disallowed

Compliance Requirements

Funds may be expended by the auditee for specific purposes and amounts as authorized in the approved congregate services management plan (budget) and Certification and Tenant Rent Roll. Funds expended may not exceed the approved level by each category and/or line item: Rental Assistance Payments, Congregate Core Services, Resident Services Coordinator, Wellness/Preventive Program, Emergency Transportation and Assisted Living Services.

(Regulations, Section 119g-10)

Suggested Audit Procedures

- (1) Obtain the approved Congregate Services Management Plan and Budget and review for authorized purposes and amounts.
- (2) Test expenditures and related records and compare to the authorized purposes and amounts.

B. Eligibility

Compliance Requirements

The auditee is required to accept applications for admission to the projects, determine whether the applicants are initially eligible, and recertify (for continued occupancy) tenants' family income, composition, and contribution to rent, congregate services and assisted living services.

Congregate Services Subsidy

11000-ECD46400-16068-033

Suggested Audit Procedures

- (1) Review the auditee's procedures for: accepting and reviewing applications, determining tenant eligibility for occupancy, and prescribing unit sizes and evaluate for adequacy. (Refer to tenant selection policy)
- (2) Review selected applicant files and determine adherence to prescribed procedures.
- (3) Review the auditee's procedures for recertifying tenant eligibility and calculating rent and evaluate for adequacy, (i.e., verification of income and expenses, computation of rent, 30 day notice to tenants of rental increase, date rental increase effective.)
- (4) Review selected tenant calculation/recertification forms (K-16 Rev-6/94) for completeness; trace data to supporting documentation.

Compliance Requirements

The auditee is required to conduct an assessment (using DSS Form W-1510 "Plan of Care" or something similar) to determine if a resident requires assisted living services and at which level services need to be provided.

Suggested Audit Procedures

Review "Assessment Form" for completeness and determine that level of services provided from service provider invoice billings agrees with services to be provided from "Assessment Form".

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

- (1) The following financial reports must be submitted within 30 days after the end of each quarter for this program:

- Balance Sheet
- Operating Statement
- Statement of Retained Earnings
- Summary of Charges to Retained Earnings Appropriated for Repairs, Maintenance and Replacements

- Operating Statement-Congregate Services
- Operating Statement-Congregate Services Supplemental Information Program Costs

- (2) A Congregate Services Management Plan (Budget) and Certification and Tenant Rent Roll must be submitted annually.
- (3) Quarterly narrative reports must be submitted.
- (4) Monthly ALSA reports for entities participating in the Assisted Living Services component must be submitted.

(Regulations, Section 8-119g-11)

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation (i.e., worksheets, ledgers, etc.) for agreement.

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

Obtain reconciliation of expenditures by contract.

- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Tests and Provisions

Compliance Requirements

- (1) The operating income and expenses (Administration Fund) and congregate services income and expenses (Congregate Subsidy) must be separately accounted for in order to permit the preparation of a DECD Certificate of Approved Program Cost and

Congregate Services Subsidy

11000-ECD46400-16068-033

State Funding on the Congregate Services Subsidy Program.

- (2) The amounts for the Rental Assistance component must be separately accounted for through the Administration Fund in order to permit the preparation of a DECD Certificate of Approved Program Cost and State Funding.

Suggested Audit Procedures

- (1) Test financial records and determine that the amounts considered as operating income and expenses and the amounts considered as income and expenditures for congregate services are proper.
- (2) Test financial records and determine that the amounts recorded as Rental Assistance Payments are proper.

Compliance Requirements

The auditee must accurately account for any interest income generated from the use of state Congregate Subsidy Funds, and return the interest to the state (Department of Economic and Community Development) upon demand.

Suggested Audit Procedures

- (1) Review the financial records and determine the amount of interest income, if any, generated by state Congregate Subsidy Funds.
- (2) Review the financial records to determine if interest income has been returned to the state (Department of Economic and Community Development), if applicable. If not, has an amount payable to the state ("DECD") been properly recorded?

Compliance Requirements

The auditee must follow proper bidding procedures for expenditures in excess of \$100,000 or in an amount amended by Statute. (Section 8-44(b), CGS, sets the bidding thresholds.)

Suggested Audit Procedures

Test financial records and determine adherence to bidding procedures.

Department of Economic and Community Development
Flexible Housing and Community Development
12039-ECD46000-Various
12065-ECD46000-Various

I. PROGRAM OBJECTIVES

The objective of the Flexible Housing and Community Development program (“Flex”) is to provide funds to eligible applicants to undertake projects designed for the purpose of providing affordable housing to residents throughout the state. (Section 8-37pp, CGS)

II. PROGRAM PROCEDURES

The state contracts with and provides bond funds to non-profit organizations, municipalities, housing authorities, and businesses, corporations or partnerships whose purpose includes construction, acquisition, rehabilitation or operation of affordable housing for projects and activities that provide affordable housing, including acquisition, construction, rehabilitation, repair and maintenance of residential and mixed-use structures and other development activity related to the maintenance, creation or expansion of affordable housing.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Services allowed are specified in the grantee’s Assistance Agreement and Project Financing Plan and Budget with DECD.

Suggested Audit Procedures

- (1) Obtain the approved Assistance Agreement and Program Financing Plan and Budget and review for authorized purposes and amounts.
- (2) Test expenditures and related records and compare to authorized purposes and amounts, being particularly alert to costs improperly charged to the Flexible Housing Program.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

The amount of applicant participation is determined by project. The Agreement concerning Loan/Grant Advances and/or Assistance Agreement will identify if there is a matching share. It can be a specific amount or a percentage of costs.

Suggested Audit Procedures

- (1) Review the Agreement Concerning Loan/Grant Advances (if applicable) and the Assistance Agreement and Program Financing Plan and Budget and ascertain if the auditee is required to contribute toward the Flexible Housing project.
- (2) Review the financial records and ascertain that the amount paid with auditee funds has been properly recorded.

D. Special Reporting Requirements

Compliance Requirements

Programmatic and financial reports may be required under the Assistance Agreement. DECD requires Quarterly Development Compliance Reports from grantees within 30 days after March 30th, June 30th, September 30th, and December 31st.

Suggested Audit Procedures

- (1) Sample programmatic and financial reports of each program and review for completeness and submission by required dates.
- (2) Trace data from financial statements to the supporting documentation (i.e., worksheets, ledger, etc.) for agreement.

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

- Obtain reconciliation of expenditures by contract.
 - Trace the amounts reported in the reconciliation of expenditures by contract to

Department of Economic and Community Development
Flexible Housing and Community Development
12039-ECD46000-Various
12065-ECD46000-Various

the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.

- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Historic Assets
12052-ECD46000-40390-095 and 12052-ECD-46000-40390-075

I. PROGRAM OBJECTIVES

The purpose of the Historic Assets Grant Fund programs is to contribute to the state's overall historic preservation plan. It encourages quality tourism by supporting the installation or restoration of supportive improvements to historical assets. Historical assets refers to any building, structure, object, or site that is significant in American history, architecture, archeology, or culture, or property used in connection therewith. Supportive improvements may include, but shall not be limited to, parking lots, office space, sanitary facilities, utilities necessary to make a building functional, information booths, provisions for the handicapped, improvements necessary to bring such asset into conformance with local ordinances, or any other improvements necessary to return the property to a state or utility provided that any such supportive improvement shall not alter, destroy, or detract from the distinctive historical, aesthetic, archaeological, architectural, cultural, or stylistic qualities or characteristics of the historic asset or its environment.

(Section 32-6a, CGS)

II. PROGRAM PROCEDURES

The state contracts with municipalities and not-for-profit organizations for the installation or restoration of supportive improvements to historical assets. The grant is awarded to the grantee out of state bond appropriations.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

The grantee's Assistance Agreement specifies the allowed and disallowed services.

(Section 32-1c, CGS) and (Regulations, Section 32-6a-8)

Suggested Audit Procedures

- (1) Review the grantee's Assistance Agreement.

- (2) Test expenditures and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

The Assistance Agreement may include a matching requirement.

(Regulations, Section 32-6a-8)

Suggested Audit Procedures

- (1) Review the Assistance Agreement and determine whether a match is required.
- (2) If required, test expenditure and related records to verify that the required matching contributions were met.

D. Special Reporting Requirements

Compliance Requirements

Programmatic and financial reports may be required under the Assistance Agreement.

(Regulations, Section 32-6a-8)

Suggested Audit Procedures

- (1) Review the Assistance Agreement and determine whether reports are required.
- (2) If required:
 - Obtain copies of submitted reports and review for completeness and submission by required dates.
 - Trace data in selected reports to supporting schedules for agreement.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Home Investment Partnership Administration Fund Program
0-46000-057-035

I. PROGRAM OBJECTIVES

The objectives of the HOME Investment Partnership Administration Fund are to provide decent and affordable housing for low and very low-income families for a specified period beginning after project completion (See Restrictive Covenant). The affordability requirements apply without regard to the term of any loan or mortgage or the transfer of ownership.

II. PROGRAM PROCEDURES

Housing projects funded with federal HOME funds and /or state DECD funds are required to comply with certain ongoing requirements identified by HUD and/or DECD during the affordability period (i.e., the period for which the owner/manager must maintain subsidized housing). The auditor should use the DECD Administration Fund compliance supplement for the DECD program the project was funded from (i.e. Moderate Rental, Limited Equity Cooperative, etc.) along with this compliance supplement. The more stringent compliance requirement must be followed in the case of any conflicts.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types Of Services Allowed Or Unalllowed

Not applicable.

B. Eligibility

Compliance Requirement

HOME-assisted units in a rental housing project must be occupied only by households that are eligible as low-income families and must meet certain limits on the rents that can be charged. The maximum HOME rents are the lesser of: the fair market rent for comparable units in the area, as established by HUD under 24 CFR section 888.111, or a rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area as determined by HUD with adjustments for the number of bedroom units. In rental projects with five or more units there are additional rent limitations. Twenty (20) percent

of the HOME-assisted units must be occupied by very low-income families and meet one of the following rent requirements: (1) the rent does not exceed 30 percent of the annual income of a family whose income equals 50 percent of the median income for the area, as determined by HUD, with adjustments for larger or smaller families; or (2) the rent does not exceed 30 percent of the families adjusted income (24 CFR section 92.252).

Suggested Audit Procedures

Select a sample of tenant files for review and verify that the tenant rents were properly calculated on the tenant calculation forms, did not exceed the rent limitations described above, are supported by documentation, and that an annual recertification is done.

C. Matching, Level-Of-Effort, And/Or Earmarking Requirements

Not applicable.

D. Special Reporting Requirements

Compliance Requirement

Year-end financial reports must be submitted to DECD.

Suggested Audit Procedures

- Obtain copies of submitted reports and review for completeness and submission by required dates.
- Trace data in selected reports to supporting documents.

E. Special Tests And Provisions

1. Housing Quality Standards

Compliance Requirement

The owner/manager must perform housing quality inspections at the time of initial occupancy and at least annually thereafter to assure that the units are safe, decent, and sanitary (24 CFR section 982.401).

Suggested Audit Procedures

Department of Economic and Community Development
Home Investment Partnership Administration Fund Program
0-46000-057-035

- Verify through a review of documentation that the owner/manager identifies those units on which housing quality inspections are due.
- Verify through a review of documentation that the owner/manager performs inspections of units and that any needed repairs are completed timely.

2. Tenant Utility Allowances

Compliance Requirement - The State DECD must approve maximum monthly allowances for utilities and services (excluding telephone and Cable TV)
(24 CFR section 92.252).

Suggested Audit Procedures

- Select a sample of units with tenant utility allowances and their related tenant files for review.
- Verify that the tenant utility allowances are properly established and were applied to tenants correctly.

3. Affirmative Marketing and Tenant Selection

Compliance Requirement

Housing assisted with HOME funds must be affirmatively marketed in accordance with 24 CFR 92.351, if applicable. The owner/manager must comply with the Affirmative Marketing Requirements, as set forth by the Commissioner of DECD.

Suggested Audit Procedures

- Obtain a copy of the owner's approved Affirmative Marketing Plan, if applicable, (projects with 5 or more HOME-assisted units).
- Inquire of the owner/manager as to policies and procedures relating to: marketing of the units; processing, approving and rejecting applications; and providing reasonable accommodation to applicants and tenants with disabilities in accordance with the requirements of applicable federal civil rights laws.

- Test whether procedures were placed in operation as established by management through inquiry and examination of documentary evidence.
- Review a sample of correspondence files for applications rejected, including documented reasons for valid rejections, or tenants evicted and legal invoices for any evidence of litigation or potential litigation related to discriminatory rental practices.
- Determine that the HUD-approved Equal Housing Opportunity logo, slogan or statement is displayed in marketing materials and that the Fair Housing Policy statement, ADA policy, and Fair Housing posters are conspicuously displayed at the project location and project management office.

Department of Economic and Community Development
Housing Administration Fund Program
Moderate Rental, Affordable Elderly, and Congregate Housing Programs
1801-46000-035

I. PROGRAM OBJECTIVES

The objective of the Housing – Administration Fund Program is to provide decent, safe, and sanitary Housing and related facilities for eligible low/moderate income families and/or for the elderly through and authorized public housing authority, nonprofit agency, and private developer ("auditee").

II. PROGRAM PROCEDURES

The auditee shall manage the project in an efficient manner so that the rents can be fixed at the lowest possible level. The rental charges together with other available income shall generate sufficient income to meet the costs of project operations. The Department of Economic and Community Development will provide financial assistance to auditees on the basis of need to finance rehabilitation of the housing units, provide rental assistance and congregate subsidies to eligible tenants. (Section 8-40, CGS)

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types Of Services Allowed Or Unallowed

Compliance Requirement

Funds may be expended by the auditee for specific purposes and amounts as authorized in the approved State Management Plan (Budget) (L-208) and in accordance with the Housing Manual for the Management of State Financed Housing. (Sec. 8-115a(Eld.), R-Sec. 8-79a-11 (MR), R-Sec. 8-119g-10(Cong.) R-Sec. 8-119jj(Aff.))

Suggested Audit Procedures

- (1) Obtain the approved Management Plan (Budget) and review for authorized purposes and amounts as well as any terms and conditions specified in the Management Plan.
- (2) Obtain and review the Housing Manual for the Management of State Financed Housing for allowable costs and management principles.
- (3) Test expenditures and related records and compare to authorized purposes and amounts.

B. Eligibility

1. Fair Housing, Non-Discrimination and Applicant Eligibility

Compliance Requirements

Management and owners of all state funded housing projects are subject to the requirements of Title VIII of the Civil Rights Act of 1968, as amended, and to the Department of Economic and Community Development Fair Housing Regulations and Manual. Management and owners are prohibited from discriminatory practices in accepting applications, tenant selection, renting/selling and designation of units of a project and are required to promote racial and economic integration.

Additionally, management and owners are required to comply with the requirements of their DECD-approved Affirmative Fair Housing Marketing Plan. The Plan outlines the marketing strategies the owner must use to attract persons identified as least likely to apply because of such factors as racial and ethnic composition of the neighborhood in which the project is located. Managers and owners of State funded projects are required to target 20% of the units to persons identified in the Plan as least likely to apply. (Section 8-37ee-1 through 8-37ee-17 and 8-37ee-300 through 8-37ee-314 CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the auditee's DECD approved Affirmative Fair Housing Marketing Plan.
- (2) Inquire of the owner as to policies and procedures relating to: marketing of the units; processing, approving and rejecting applications; and method of placing applicants on waiting list.
- (3) Review selected applicant files and determine that the family met the income eligibility guidelines (80% of HUD area median income (Low Income) for Elderly, Congregate and Moderate Rental projects and 50% of HUD area median income (Very Low Income) for Affordable Projects), and determine if placement on waiting list is in accordance with the

Department of Economic and Community Development
Housing Administration Fund Program
Moderate Rental, Affordable Elderly, and Congregate Housing Programs
1801-46000-035

Affirmative Fair Housing Marketing and Selection Procedures Manual.

- (4) Determine that the HUD-approved Equal Opportunity logo, slogan or statement is displayed in marketing materials and that the Fair Housing Policy statement and Fair Housing poster(s) are conspicuously displayed at the project location and project management office.

2. Recertification and Continued Occupancy

Compliance Requirements

The auditee is required to recertify (for continued occupancy) family income, composition, and contribution to rent. Recertification must be done annually for Moderate Rental, Affordable, Congregate, and RAP recipients and at least biennially for Elderly Projects. If the family is required to pay any of its own utilities, the rent is reduced by a utility allowance. (Sec. 8-115a(d) (Eld), R-Sec. 8-79a-12-14 (MR), R-Sec. 8-119g-4 (Cong.), R-Sec.8-119jj(Aff.))

Suggested Audit Procedures

- (1) Review the auditee's procedures for recertifying tenant eligibility (continued occupancy requirements) and calculating rent and evaluate for adequacy. (i.e., Verification of income and expenses, computation of rent, 30 day notice to tenants of rental increase, date rental increase effective.)
- (2) Review selected tenant calculation/recertification forms for completeness; trace data to supporting documentation.
- (3) Verify that the auditee established and currently maintains a Rent Roll or similar type of document to record information on total rent, tenant rental payments, and rental assistance payments. This document is used to control the recording of rental income and the requisitioning of rental assistance payments.

C. Matching, Level Effort And/Orearmarking Requirements

There are no matching, level of effort, or earmarking requirements.

D. Reporting Requirements

Compliance Requirement

At least once a year an annual report must be prepared by a Housing Authority and filed with the town/city clerk describing.

- (1) Activities for the preceding year,
- (2) Recommendations with reference to additional legislation or other action in order to carry out the purposes of Chapter 128, if applicable. (Sec. 8-63 (Eld., MR, Cong., Aff.))

Suggested Audit Procedure

- (1) Review copies of the report and determine that it was filed with the Town Clerk.

Compliance Requirement

The following financial reports must be submitted within 30 days after the end of each quarter for the State financed projects: (Sec. 8-115a(Eld.), R-Sec. 8-79a18(MR), R-Sec. 8-119g-6(Cong.), R-Sec. 8-119jj(Aff.))

Administration Funds

- Balance Sheet (L-203)
- Statement of Program Cost (L-117), if applicable
- Operating Statement (L-204)
- Operating Statement -Congregate Services (L-215), if applicable
- Analysis of Retained Earnings (L-214)
- Summary of Charges to Retained Earnings (L-224)

Suggested Audit Procedures

- (1) Review the procedures for preparing the financial reports and evaluate for adequacy.
- (2) Sample financial reports for each program and review for completeness and timeliness of submission.

Department of Economic and Community Development
Housing Administration Fund Program
Moderate Rental, Affordable Elderly, and Congregate Housing Programs
1801-46000-035

- (3) Trace data from financial statement to the supporting documentation (i.e., general ledger, worksheets, etc.).

Compliance Requirement

A Management Plan (Budget) (B-208) must be submitted annually for each State project. (Sec. 8-115a (Eld.), Sec. 8-72 (MR), R-Sec 8-119g-10 (Cong.), R-Sec. 8-119jj (Aff.))

Suggested Audit Procedure

Examine copy of the Management Plan (Budget) and determine completeness and timeliness of submission.

E. Special Test And Provisions

I. Compliance Requirement

The commissioners and employees must not have any interest, direct or indirect in any housing project. (Sec. 8-42 (Eld., MR, Cong., Aff.))

Suggested Audit Procedure

- (1) Ascertain whether any commissioner or employee has any interest, in any housing project or in any property included in any project, or in any contract or proposed contract for materials and services to be furnished or used in connection with any housing project. (Note if minutes disclosed any interest. Ascertain any interest during expenditure test).

II. Compliance Requirement

The auditee is required to follow specific procedures for any proposed base rent increase or percentage of income increase. (Sec. 8-115a(d) (Eld.), R-Sec.8-79a-15 (MR), R-Sec. 8-119g-10(Cong.) R-Sec.8-119jj (Aff.))

Suggested Audit Procedures

- (1) Review the procedures established in the Housing Manual for the Management of State Financed Housing for the auditee's handling and notifying tenants of rent adjustment requests
- (2) Review the files and determine if rent adjustments and notifications were provided in accordance with the procedures

III. Compliance Requirement

A Housing Authority is required to pay a sum to the municipality in which the Housing Authority is located, a payment in lieu of taxes (PILOT), equal to a percentage of shelter rent or an amount not greater than ad valorem tax (for a State Elderly Section 8 or MR Section 8 Project). The percentage will be determined mutually by the municipality and auditee. (Sec. 8-118a (Eld.), Sec. 8-71 (MR), Sec. 8-119k(Cong.), Sec. 8-119gg(Aff.)) (Shelter Rent is defined in Sec. 8-39(p).)

Suggested Audit Procedure

- (1) Calculate PILOT amount based on the percentage rate as stipulated in the Cooperation Agreement and Management Plan and the formula as specified in the LHA Accounting Manual and determine if the Housing Authority calculated PILOT properly and paid the municipality at least annually.

IV. Compliance Requirement

The auditee must follow proper bidding procedures for expenditures in excess of \$100,000.00 or an amount as amended by Statute. (Sec. 8-44(b) sets bidding thresholds (Eld., MR, Cong., Aff.))

Suggested Audit Procedure

- (1) Test the financial records and determine adherence to bidding procedures.

V. Compliance Requirement

For proratable expenses, the auditee may charge to the State units no more than the approved percentage of either the number of State units to the total number of units administered by the auditee or the total number of State rooms to the total number of federal rooms; or as otherwise approved by oversight agencies.

Suggested Audit Procedures

- (1) Review the auditee's process for reviewing, approving, and monitoring expenditures and evaluate for adequacy.

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- (2) Review expenditures and related records and ascertain that the percentage charged to the State units is appropriate.
- (3) Review proration on State Units Budget to approved proration on HUD Budget to ensure they agree.

VI. Compliance Requirement

For auditee's that collect and administer Security Deposits, an escrow bank account must be established in a financial institution for the deposit of the entire amount of all security deposits. The balance in the escrow bank account shall at all times equal or exceed the aggregate of all its outstanding obligations, as reflected in the liability accounts established for the payment of security deposits. (Sec. 47a-21(h) CGS)

Suggested Audit Procedures

- (1) Determine whether an escrow bank account has been established for the collection and deposit of security deposits.
- (2) Ascertain whether the balance in the escrow bank account is equal to or greater than the balance of the liability account(s) established for the payment of security deposits.

I. PROGRAM OBJECTIVES

To provide grants to housing site development agencies or eligible nonprofit corporations for up to two-thirds of the cost of site acquisition and/or improvements associated with development of housing for low and moderate income families. Funds assist in writing down the cost of housing by reducing the price of construction which effects the subsequent mortgage financing, making the units affordable to persons of low and moderate income.

Another objective is to provide financial assistance for up to two-thirds of the cost of community development activities which are a part of a targeted neighborhood rehabilitation effort in a predominantly residential area.

Housing Site Development Agencies (“HSDAs”) must be designated by resolution. Eligible nonprofits are those which have a commitment for mortgage financing from HUD or FMHA.

II. PROGRAM PROCEDURES

Proposals are invited as funds are available. Any municipality or designated agency thereof may apply. The evaluation of the proposal will be based on the extent to which the project will benefit low and moderate-income persons and its impact on housing and neighborhood revitalization.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Funds may be used for services provided for in the approved program budget. Administration expenses are allowed up to 15 percent of the hard costs.

(Section 8-216b, CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the approved program budget.
- (2) Determine the type of services allowed.
- (3) Test expenditures and related records.

- (4) Note whether funds were used for unallowable services. If funds were used for items not provided for in the budget, identify approval from the Department of Economic Development (“DECD”).

B. Eligibility

Compliance Requirements

Funds are required to be used to benefit low and moderate income homeowners in the targeted area. Fifty-one percent of the residents benefited must be of low or moderate-income households. Low or moderate income is defined as 100 percent of HUD median unless funds from another source requiring a lower percentage of the median (i.e., CDBG, Small Cities) are being used. The benefit must then defer to the lower percentage.

(Section 8-216b, CGS)

Suggested Audit Procedures

- (1) Review the procedures used to determine eligibility and evaluate for adequacy.
- (2) Review selected files and determine adherence to prescribed procedures.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

The grantee is required to provide one-third of the cost of the program.

(Section 8-216b, CGS)

Suggested Audit Procedures

- (1) Determine the total program cost.
- (2) Determine whether local funding equals one-third of the program cost.

D. Special Reporting Requirements

Compliance Requirements

Grantees are required to submit quarterly status reports to the Department of Economic and Community Development (“DECD”).

Department of Economic and Community Development
Housing and Community Development
12064-ECD46000-40237-008 and 12064-ECD46000-40238-008

Suggested Audit Procedures

- | | |
|---|---|
| (1) Obtain copies of submitted statements and reports and review for completeness and submission by required dates. | (2) Review selected construction contracts and subcontracts and determine whether they contain provisions requiring the payment of (“prevailing” wages) |
| (2) Trace data in selected reports to supporting documentation. | (Section 31-53, CGS) |

E. Special Tests and Provisions

Compliance Requirements

A Revolving Loan Fund Account must be established specifically for loan repayments. Funds may be mixed with loan repayments from loans made with funds from other sources. The disbursement of new loans can be made from this account only after the original grant money budgeted for Revolving Loans has been completely expended.

Suggested Audit Procedures

- (1) Identify a Revolving Loan Fund Account.
- (2) Test transactions and related records.
- (3) Determine that disbursements of new loans were made only after the initial budgeted funds for Revolving Loans authorized by the Project Financing Plan and Budget have been completely expended.

Compliance Requirements

Municipalities must follow proper bidding procedures as specified in the Assistance Agreement, “Special Provisions.”

Suggested Audit Procedures

Test financial records and determine adherence to bidding procedures.

Compliance Requirements

Municipalities must follow wage rate requirements as specified in the Assistance Agreement, “Special Provisions.”

(Section 31-53, CGS)

Suggested Audit Procedures

- (1) Identify the programs involving construction activities.

Department of Economic and Community Development
Housing Assistance and Counseling
11000-ECD46400-16076-035

I. PROGRAM OBJECTIVES

The Housing Assistance and Counseling program provides financial assistance to not-for-profit organizations that provide the following types of housing assistance and counseling information to landlords and tenants, including but not limited to:

- (1) Educational services designed to inform landlords and tenants of their respective rights and responsibilities.
- (2) General information services on securing housing-related financing, including mortgage loans, home improvement loans, energy and weatherization assistance.
- (3) General mediation services for landlord and tenant disputes.
- (4) A demonstration program providing a limited grant to supplement the cost of assisted living services in up to 4 (four) United States Department of Housing and Urban Development, Section 202, elderly housing development and/or United States Department of Housing and Urban Development, Section 236, elderly housing developments to provide assisted living services for persons who are residents of the state.

(Section 8-206e, CGS)

II. PROGRAM PROCEDURES

The State contracts with not-for-profit organizations for the provision of housing assistance and counseling services, following grantee application review for content and approval based on eligibility, experience, and the financial need of the applicant.

The assisted living component is either funded in whole or in part by DECD. An assessment of the tenant is conducted to determine the level of services required. Tenants may be required to pay a portion of their assisted living services based on their income/assets in accordance with a formula approved by the Department of Social Services (DSS) and DECD.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Services allowed include:

- (1) Education services designed to inform landlords and tenants of their rights and responsibilities.
- (2) Mediation services between tenants and landlords.
- (3) Information services on securing housing-related financing.
- (4) Other housing-related counseling services and assistance.
- (5) Assisted living services in accordance with guidelines established by DSS and DECD.

(Section 8-206e, CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the Assistance Agreement and approved Project Financing Plan and Budget and determine allowed costs.
- (2) Test the expenditures and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

The grantee shall submit monthly activity reports, quarterly financial statements and an annual summary of activities to the Department of Economic and Community Development ("DECD").

(Section 8-206e, CGS)

Suggested Audit Procedures

Department of Economic and Community Development
Housing Assistance and Counseling
11000-ECD46400-16076-035

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation for agreement.

E. Special Tests and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Housing Development Fund Program

Affordable
 12064-ECD46000-
 40238-005

Moderate Rental
 12064-ECD46000-
 40238-002

Congregate Elderly
 12064-ECD46000-
 40240-004

Elderly
 12064-ECD
 46000-40240-
 003

I. PROGRAM OBJECTIVES

The objective of the Housing Development Fund Program is to provide financial assistance in the form of grants and/or loans to eligible developers (housing authorities, nonprofit organizations, private developers, municipal developers, and housing partnerships) for the construction of decent, safe, and sanitary housing for eligible low and moderate income families and/or for the elderly.

(Sections 8-70 (MR), 8-114a (Eld.), 8-119h (Cong.) and 8-119dd (Aff.), CGS)

II. PROGRAM PROCEDURES

The Department of Economic and Community Development (“DECD”) may enter into a contract with an eligible applicant (i.e., housing authority, nonprofit organization, private developer, municipal developer, or housing partnership) to provide financial assistance in the form of a grant and/or loan for the development of housing for low and moderate income families and/or the elderly.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Funds may be expended by the eligible developer for specific purposes and amounts as authorized in the approved Assistance Agreement and Project Development Budget (QA-6).

Suggested Audit Procedures

- (1) Obtain the approved Assistance Agreement and Project Development Budget (QA-6) and review for authorized purposes and amounts, as well as any terms and conditions specified in the Project Development Budget.
- (2) Test expenditures and related records and compare to authorized purposes and amounts.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

An eligible developer may be required to contribute financial assistance in the form of cash, donated property, in-kind contributions, or any other assistance as a condition of receiving state assistance. The specific matching requirements are set forth in the Assistance Agreement and Cooperation Agreement.

Suggested Audit Procedures

- (1) Review the Assistance Agreement and Cooperation Agreement and ascertain the amount of assistance required.
- (2) Determine the amount and source of funds used to fulfill the matching requirement.

D. Special Reporting Requirements

Compliance Requirements

The following financial reports must be submitted quarterly for this program:

- (1) Balance Sheet (R-76)
- (2) Statement of Development Cost (R-77)

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation (i.e., worksheets, ledgers, etc.) for agreement.

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial

Department of Economic and Community Development
Housing Development Fund Program

<u>Affordable</u>	<u>Moderate Rental</u>	<u>Congregate Elderly</u>	<u>Elderly</u>
12064-ECD46000-40238-005	12064-ECD46000-40238-002	12064-ECD46000-40240-004	12064-ECD46000-40240-003

Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

Obtain reconciliation of expenditures by contract.

- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Test and Provisions

Compliance Requirements

The cost of the Development Fund Program must be separately accounted for in a Statement Development Cost in order to permit the preparation of a DECD Certificate of Approved Program Cost and State Funding on the Development Fund Program.

Suggested Audit Procedures

Test financial records and determine that the amounts considered as costs of the Development Fund Program are proper.

Compliance Requirements

The auditee must follow proper bidding procedures for expenditures in excess of \$100,000.00, or in an amount amended by Statute.

(Sections 8-44(b) CGS, sets bidding thresholds.)

Suggested Audit Procedures

Test the financial records and determine adherence to bidding procedures.

Department of Economic and Community Development
Housing Rehabilitation Program
12039-ECD46000-40231-001 12064-ECD46000-40238-001
12064-ECD46000-40237-001 12064-ECD46000-40240-001

I. PROGRAM OBJECTIVES

The objective of the Housing Rehabilitation Program (“HR”) is to improve and upgrade the physical condition of existing public housing projects.

being particularly alert to costs improperly charged to the Housing Rehabilitation Program.

B. Eligibility

The auditor is not expected to test for eligibility.

II. PROGRAM PROCEDURES

Each Housing Authority, Non-Profit Corporation, Community Housing Development Corporation and Municipal Developers as Owner/Sponsor of Elderly and Moderate Rental Housing; Housing for the Homeless, Limited Equity Cooperative, Congregate Housing, Mutual Housing and Affordable Housing may prepare and submit to the Commissioner of Economic and Community Development for approval a program of project rehabilitation and improvement.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

The auditee may be required to pay for a portion of the approved rehabilitation project with its own resources.

Suggested Audit Procedures

- (1) Review the Assistance Agreement and Program Financing Plan and Budget and ascertain if the auditee is required to contribute toward the rehabilitation project.
- (2) Review the financial records and ascertain that the amount paid with auditee funds has been properly recorded.

The program shall include the estimated costs of services, rehabilitation and improvement, and the method and staff required to carry out such a program. The housing rehabilitation contract shall provide for state financial assistance in the form of a grant-in-aid, loan, or combination thereof equal to the cost of such program, including administrative or other cost or expense to be incurred by the state in connection with the program as approved by the Commissioner of Economic and Community Development.

D. Special Reporting Requirements

Compliance Requirements

The following financial reports must be submitted quarterly for this program:

- (1) Balance Sheet (L-203 or L-116)
- (2) Statement of Program Cost (L-117)

IV. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed of Disallowed

Compliance Requirements

Funds may be expended by the auditee for specific purposes and amounts as authorized in the approved Assistance Agreement and Program Financing Plan and Budget (DECD-KA-1).

(Section 8-44a(b), CGS)

(NOTE: The auditee may report the rehabilitation program as part of the Housing Authority Administration Fund financial reports for the fund benefited by the program or report the program on separate financial reports).

Suggested Audit Procedures

Suggested Audit Procedures

- (1) Obtain the approved Assistance Agreement and Program Financing Plan and Budget and review for authorized purposes and amounts.
- (2) Test expenditures and related records and compare to authorized purposes and amounts,

- (1) Sample financial reports of each program and review for completeness and submission by required dates. Verify the date stamp on financial statements or note if a late notice was sent by the DECD.

Department of Economic and Community Development
Housing Rehabilitation Program
12039-ECD46000-40231-001 12064-ECD46000-40238-001
12064-ECD46000-40237-001 12064-ECD46000-40240-001

- (2) Trace data from financial statements to the supporting documentation (i.e., worksheets, ledger, etc.) for agreement.

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

Obtain reconciliation of expenditures by contract.

- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Test and Provisions

Compliance Requirements

The cost of the housing rehabilitation program must be separately accounted for in order to permit the preparation of a DECD Certificate of Approved Program Costs and State Funding on the housing rehabilitation program.

Suggested Audit Procedures

Test financial records and determine that the amounts considered as costs of the housing rehabilitation program are proper.

Compliance Requirements

The auditee must follow proper bidding procedures for expenditures in excess of \$100,000.00, or in an amount amended by Statute.

(Section 8-44(b) CGS sets bidding thresholds.)

Suggested Audit Procedures

Test the financial records and determine adherence to bidding procedures.

Department of Economic and Community Development
Housing Trust Fund Program
12066-ECD-46000-40001 (046)

I. PROGRAM OBJECTIVES

The objective of the Housing Trust Fund Program is to:

- Encourage the creation of housing for homeownership at a cost that will enable low and moderate income families to afford quality housing while paying no more than thirty percent of gross income on housing,
 - Promote the rehabilitation, preservation and production of quality, well-designed rental and homeownership housing affordable to low and moderate income families or persons,
 - Maximize the leveraging of state and federal funds by encouraging private sector investment in housing developments receiving assistance,
 - Encourage housing that maximizes housing choices of residents,
 - Enhance economic opportunity for low and moderate income individuals and their families,
 - Promote the application of efficient land use that utilizes existing infrastructure and the conservation of open spaces, and
 - Encourage the development of housing which aids the revitalization of communities.
- (Section 21(a), Public Act 05-5)

II. PROGRAM PROCEDURES

The program is administered by the Department of Economic and Community Development (DECD) and is funded from the proceeds of the sale of the State's general obligation bonds. The funds are awarded to municipalities, nonprofit organizations, local housing authorities, and for-profit organizations as no interest and low interest loans, loan guarantees, grants, and appraisal gap financings and other similar financing necessary to make rents or home prices affordable for development of quality rental housing and homeownership for low and moderate-income households.

(Section 21(b), Public Act 05-5)

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Funds may be used to support development investment and programs that further the development goals established by Public Act 05-5. Eligible costs are identified in an approved Financing Plan and Budget and may include:

- Acquisition
- Rehabilitation
- New Construction
- Demolition
- Homeownership
- Multi-family rental housing
- Adaptive re-use of historic structures
- Special needs housing
- Redevelopment of vacant properties
- Infrastructure improvements
- Housing for individuals or families with incomes up to 120% of Area Median Income as determined by the United States Department of Housing and Urban Development (HUD)

(Sections 16-22, Public Act 05-5)

Suggested Audit Procedures

- (1) Review the grantee's Assistance Agreement and Financing Plan and Budget and determine allowed costs.
- (2) Test expenditures and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

Applicants are required to submit quarterly compliance and financial reports to the DECD.

Department of Economic and Community Development
Housing Trust Fund Program
12066-ECD-46000-40001 (046)

Suggested Audit Procedures

Review the Assistance Agreement and determine whether reports are required. If required:

- Obtain copies of reports and review for completeness and submission by required dates.
- Trace data in selected reports to supporting documents.

E. Special Tests and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Infrastructure
12064-ECD46000-40238-023 and 12065-ECD46000-40240-023

I. PROGRAM OBJECTIVES

To provide grants, loans, or a combination thereof for the purpose of undertaking activities aimed at increasing housing for low and moderate-income families. (Section 8-387, CGS)

II. PROGRAM PROCEDURES

The Department of Economic and Community Development (“DECD”) enters into contracts with any of 32 eligible municipalities to provide funding for a variety of eligible activities such as planning, construction, or renovation of housing, and for any of the following related activities: sewer connections, gas, electric and communications connections, drainage, public roadways, and water lines. The municipality must approve the Regional Fair Housing compact as prepared by them.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Grants, loans, or a combination thereof shall be made from the infrastructure fund for planning, construction or renovation of housing, and for any of the following, provided that administrative costs directly related to such construction or renovation shall not exceed 5 percent, when necessary to support the development of housing within such municipality in accordance with the Regional Fair Housing Compact:

- (1) Sanitary sewer lines, including interceptors, laterals, and pumping stations.
- (2) Natural gas, electric, telephone and telecommunications, pipes, wires, conduits, water lines and water supply facilities, except as required by any provisions of the general statutes or any special act, a regulation or order of the Department of Public Utility Control or a certificate of public conveniences and necessity.
- (3) Storm drainage facilities, including flood control facilities.
- (4) Public roadways and related appurtenances.

- (5) Community septic systems approved by the Department of Environmental Protection. (Section 8-387, CGS)

Suggested Audit Procedures

Test the expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

Municipalities are required to submit quarterly status and financial reports to the DECD.

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documents.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Land Bank / Land Trust Program
12064-ECD46000-40238-011 and 12064-ECD46000-40237-011

I. PROGRAM OBJECTIVES

To provide grants for the costs of acquiring land or interest in land and the costs of holding and managing land to be developed as housing for low and moderate income families.

The program is divided into two components:

- (1) Land Bank – Grants provided to purchase land, which a sponsor can “bank” for a period of up to two years. The program generally funds the costs of holding and managing for a period of up to two years.
- (2) Land Trust – Grants are provided for acquisition, holding and managing costs, but land must be developed right away. The land underlying the units must be held in trust. The costs of holding and managing may be covered by the grant until the parcel goes under development.

(Sections 8-214b through e, CGS) and (Regulations, Sections 8-214d-1 through 13)

II. PROGRAM PROCEDURES

Funds are provided to nonprofit corporations upon approval of an application by the Department of Economic and Community Development (“DECD”) and subsequent approval of an allocation of funds for the project by the State Bond Commission. An Assistance Agreement is then executed between the DECD and the grantee. Only then can grant funds be requisitioned for eligible/approved costs.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Grants are for costs that include:

- (1) Property inspections
- (2) Engineering
- (3) Legal, including the cost to prepare land leases or condominium documents
- (4) Closing costs

- (5) Surveys
- (6) Appraisals
- (7) Real estate options
- (8) Land
- (9) Interests in land (e.g., retiring mortgage interest)
- (10) Taxes
- (11) Maintenance and security
- (12) Up to 2.5 percent of total grant for administrative expenses
- (13) Property insurance
- (14) Title insurance
- (15) Any tests or inspections made prior to the land purchase (e.g., percolation, test boring, environment assessments)

Generally, pre-acquisition costs to determine project feasibility, exclusive of any cost associated with the structure, are eligible.

Suggested Audit Procedures

- (1) Obtain the approved Assistance Agreement and Program Financing Plan and Budget and review for authorized purposes and amounts.
- (2) Test expenditures and related records, including contracts, studies, and closing statements, and compare to authorized purposes and amounts.
- (3) If funds were used for costs not identified as allowed in either the Assistance Agreement or Program Financing Plan and Budget, identify authorization by the Commissioner of the DECD.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching level-of-effort or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

Programmatic and financial reports may be required under the Assistance Agreement.

Department of Economic and Community Development
Land Bank / Land Trust Program
12064-ECD46000-40238-011 and 12064-ECD46000-40237-011

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation for agreement.

E. Special Test and Provisions

Compliance Requirements

- (1) If the land is land banked, the grantee must have a plan of development approved by the Commissioner no later than two years from the date of acquisition.
- (2) The plan must include an application under review for construction funding. The Commissioner may grant an extension if it is considered to be in the best interest of the state.
- (3) A Restrictive Covenant and Assistance Agreement must be recorded in the municipality where the property is located.

Suggested Audit Procedures

- (1) Obtain a copy of the plan of development and determine completeness and compliance with the contract and regulations.
- (2) Determine if the documents were properly recorded with the municipality.

Department of Economic and Community Development
Limited Equity Cooperatives -- Development Fund
12064-ECD46000-40238-013 and 12065-ECD46000-40240-013

I. PROGRAM OBJECTIVES

The objective of the program is the construction of housing for low and moderate income families which provides an alternative to traditional rental housing by ensuring security of residency, continued affordability and participation in the design and operation of housing, and to make public investment to preserve and stabilize neighborhoods.

(Section 8-214f through h, CGS)

II. PROGRAM PROCEDURES

The Department of Economic and Community Development provides financial assistance to a limited equity cooperative or an eligible not-for-profit corporation for the development of housing for low- and moderate-income families. The assistance may be in the form of grants, loans, or combination thereof in an amount not to exceed the total development cost of the project, less any equity interest required, as determined by a cost certification.

(Section 214f (c), CGS)

I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Allowed costs include, but are not limited to:

- (1) Organizational development
- (2) Predevelopment costs
- (3) Site acquisition and preparation
- (4) Construction or rehabilitation
- (5) Architect fees
- (6) Resident training
- (7) Administrative or other costs or expenses incurred by the state

(Section 8-214f(c), CGS) and (Regulations, Sections 8-214h-1(s) and 8-214h-2(c))

Suggested Audit Procedures

Test the expenditures and related records to ensure that costs are allowed.

B. Eligibility

Compliance Requirements

- (1) The admission income limits for grant (project(s)) shall not exceed 50 percent of the area median income, adjusted for family size as determined from time to time by the U.S. Department of Housing and Urban Development, unless otherwise approved by the Commissioner of Economic and Community Development.
- (2) The admission income limits for loan(s) or loan/grant combination project(s) shall not exceed 100 percent of the area median income, adjusted for family size, determined from time to time by the U.S. Department of Housing and Urban Development, unless otherwise approved by the Commissioner of Economic and Community Development.

(Sections 8-214f through h, CGS) and (Regulation, Section 8-214h-8(b) and 8(c))

Suggested Audit Procedures

Review selected files and determine that they meet the requirements for income, adjusted by family size.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

- (1) Developers must have an equity interest in the total development cost, composed of any of the following:
 - The housing site
 - A cash contribution
 - The resident's "sweat equity" investment (Refer to the contract for specific amounts.)
- (2) The family must contribute its labor ("sweat equity") during the development or operation of the project or make a cash contribution to become a member of the cooperative, or both, in an amount approved by the Commissioner of Department of Economic and Community Development. The value of the "sweat equity" may not exceed the hourly

Department of Economic and Community Development
Limited Equity Cooperatives -- Development Fund
12064-ECD46000-40238-013 and 12065-ECD46000-40240-013

wage rates determined by the U.S.
Department of Labor

(Section 8-214f(c), CGS) and (Regulations, Section
8-214h-7(a)(1))

Suggested Audit Procedures

- (1) Determine the amount and nature of the developer's equity interest.
- (2) Review the records for selected families and determine if there has been a "sweat equity" contribution.
- (3) Determine that the "sweat equity" of the sample did not exceed hourly wage rates.

D. Special Reporting Requirements

Compliance Requirements

The developer shall submit semi-annual financial statements to the Department of Economic and Community Development ("DECD").

(Section 8-214h, CGS) and (Regulation Section 8-214h-16(b))

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected statements to supporting documentation for agreement.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
**Limited Equity Cooperative/Mutual Housing
Administration Fund Program**

I. PROGRAM OBJECTIVES

The objective of the Limited Equity Cooperative/Mutual Housing Administration Fund Program is to provide housing for eligible low/moderate income families.

II. PROGRAM PROCEDURES

The Cooperative, Mutual Housing or Nonprofit Agency (auditee) shall manage the project in an efficient manner so that the rents can be fixed at the lowest possible level. The carrying charges together with other available income shall generate sufficient income to meet the costs of project operations.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types Of Services Allowed Or Unallowed

Compliance Requirement

Funds may be expended by the auditee for specific purposes and amounts as authorized in the approved State Management Plan (Budget) and in accordance with the Housing Manual for the Management of State Financed Housing. (Sec. 8-214f - 8-214h.)

Suggested Audit Procedures

- Obtain the approved Management Plan (Budget) and review for authorized purposes and amounts as well as any terms and conditions specified in the Management Plan.
- Obtain and review the Housing Manual for the Management of State Financed Housing for allowable costs and management principles.
- Test expenditures and related records and compare to authorized purposes and amounts.
- Determine that property taxes are paid currently.

B. Eligibility

Compliance Requirement

The auditee is required to accept applications for admission to the projects, determine whether the applicants are initially eligible, and recertify tenants' family income, composition, and contribution to carrying charge. (R-Sec. 8-214h-7-R-Sec. 8-214h-12)

Suggested Audit Procedures

- Review the auditee's procedures for: accepting and reviewing applications, determining tenant eligibility for initial occupancy (For grant projects, adjusted gross income can't exceed 50% of HUD area median income, adjusted for family size. For loan or loan/grant combination, adjusted gross income can't exceed 100% of HUD area median income, adjusted for family size.), determining carrying charge, and prescribing unit sizes and evaluate for adequacy.
- Review the auditee procedures for recertifying member carrying charges and evaluate for adequacy. (An annual recertification is required for members paying carrying charges based on a percentage of their adjusted gross income.)
- Review selected member Carrying Charge Worksheets for completeness; trace data to supporting documentation for agreement.
- Verify that the auditee established and currently maintains a Carrying Charge Roll or similar type of document to record information on total carrying charges and total member payments. This document should be used to control the recording of carrying charge income.

C. Matching, Level Of Effort, And/Or Earmarking Requirements

There are no matching, level of effort, and/or earmarking requirements.

D. Reporting Requirements

Department of Economic and Community Development
**Limited Equity Cooperative/Mutual Housing
Administration Fund Program**

Compliance Requirement

Financial reports must be submitted to CHFA biannually for the State financed projects. (R-Sec. 8-214h-16)

Suggested Audit Procedures

- Review the procedures for preparing the financial reports and evaluate for adequacy. (Determine if financial statement information taken from ledgers or other sources, i.e., worksheets)
- Sample financial reports for each program and review for completeness and timeliness of submission.
- Trace data from financial statement to the supporting documentation (i.e., worksheets, ledgers, etc.) for agreement.

- LEC submits recommended carrying charge change to CHFA for approval.
- CHFA approves/disapproves carrying charge change within 15 days of receipt from LEC.
- Members given 30 day written notice prior to effective date of carrying charge change.
- Review the files and determine if carrying charge adjustments and notifications were provided in accordance with the CHFA procedures.

Compliance Requirement

A Management Plan (Budget) must be submitted annually for each State project. (R-Sec. 8-214h-6)

Suggested Audit Procedures

- Examine copy of Management Plan (Budget) and determine completeness and timeliness of submission.

E. Special Tests And Provisions

Compliance Requirement

The auditee is required to follow procedures established by CHFA for any proposed carrying charge changes. (R-Sec. 8-214h-13)

Suggested Audit Procedures

- Review the procedures established by the CHFA in the Housing Manual for the Management of State Financed Housing for the auditee's handling and notifying members of carrying charge adjustment requests.
 - 30 day written notice to members that a meeting will be held to discuss carrying charge change.

Department of Economic and Community Development
Manufacturing Assistance Act
(Municipal Development Projects
Business Development Projects)
12034-ECD46000-40221-099, 12035-ECD46000-40228-099 and 12035-ECD46000-40226-099

I. PROGRAM OBJECTIVES

The Municipal Development Project, Business Development Project, and Non-Profit Development Project provides loans and/or grants, including, but not limited to, the reasonable cost of feasibility studies, engineering, appraisals, market studies and related activities. Assistance is also provided for the acquisition of real property, machinery or equipment, or any combination thereof, the construction of site and infrastructure improvements, the construction, renovation and demolition of buildings, relocation expenses for the purpose of assisting a manufacturing or economic base business to locate, contract, renovate, or acquire a facility. Such other reasonable expenses necessary or appropriate for the initial, implementation and completion of the project, including, but limited to administrative expenses and business support services.

(Sections 32-222 and 32-223, CGS)

II. PROGRAM PROCEDURES

The state contracts with eligible applicants, municipally designated agencies (economic development commissions, redevelopment agencies, and not-for-profit development corporations) to share on a pro-rata basis eligible expenditures related to the preparation of a project plan or planning documents/studies deemed necessary by the Department of Economic and Community Development (“DECD”). This includes contractual services and administrative items.

The State contracts with eligible applicants for services related to property acquisition, demolition or disposition, infrastructure development, construction, improvement and expansion of a facility, acquisition of machinery or equipment, relocation expenses, administration expenses, business support services, business relocation, engineering and related services, marketing, short-term interest costs, and other reasonable expenses necessary for implementation of the project.

(Section 32-222 (a),(f),(k),(m), & (n) CGS

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Funds may be used for costs items specified in the latest approved Assistance Agreement and attachments and the Financing Plan and Budget.

(Sections 8-190 and 32-1c, CGS) (Sections 8-195(a), (b), (c), 32-222, and 32-223, CGS)

Suggested Audit Procedures

- (1) Review the grantee’s Assistance Agreement Project Financing Plan and Budget.
- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

A minimum match of 50% (fifty percent) of the total project cost is required with the following exceptions:

- (a) Targeted investment community-a minimum match of 10% (ten percent) of the total project cost;
- (b) Joint ventures between 2 (two) or more municipalities-a minimum match of 25% (twenty-five percent) of the total project cost, and
- (c) Defense Diversification Projects-no match is required for the total project cost.

Refer to the terms of the Assistance Agreement for the required minimum matching share requirement.

(Section 8-196 and 32-223, CGS)

Department of Economic and Community Development
Manufacturing Assistance Act
(Municipal Development Projects
Business Development Projects)
12034-ECD46000-40221-099, 12035-ECD46000-40228-099 and 12035-ECD46000-
40226-099

Suggested Audit Procedures

- (1) Determine the total expenditures of the program.
- (2) Examine receipts and disbursements to determine that the appropriate matching funds have been made by the grantee.

D. Special Reporting Requirements

Compliance Requirements

- (1) Submission of the following reports is required by the grantee.
 - Annual Financial Report
 - Requisition for Payment of State funds.
- (2) Submission of certain other reports may be required by the grantee under the Assistance Agreement.

Suggested Audit Procedures

- (1) Review the Assistance Agreement and determine whether reports are required. If required:
 - Obtain copies of reports and review for completeness and submission by required dates.
 - Trace data in selected reports to supporting documents for agreement.

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

Obtain reconciliation of expenditures by contract.

- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and

the schedule of expenditures of state awards.

- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Tests and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Mutual Housing Program -- Development Fund
12064-ECD46000-40238-048 and 12065-ECD46000-40240-048

I. PROGRAM OBJECTIVES

The objective of the Mutual Housing program is the construction, ownership and operation of housing, the prevention and elimination of neighborhood deterioration and the preservation of neighborhood stability achieved by affording community and resident involvement in the provision of high quality, long-term housing for low and moderate income families in which residents:

- (1) Participate in the ongoing operation and management of such housing
- (2) Have the right to continue residing in such housing for as long as they comply with the terms of their occupancy agreement
- (3) Do not possess an equity or ownership interest in such housing

(Section 8-214f(b), CGS) and (Regulations, Section 8-214h-1(v))

II. PROGRAM PROCEDURES

The Department of Economic and Community Development ("DECD") may enter into a contract with a mutual housing association, or any other qualified nonprofit corporation, to provide financial assistance in the form of grants, loans, or combination financing for the development of housing for low and moderate-income families.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Developers may receive state financial assistance for the development of a project including, but not limited to:

- (1) Organizational development
- (2) Predevelopment costs
- (3) Site acquisition and preparation
- (4) Construction or rehabilitation
- (5) Architect fees
- (6) Resident training

- (7) Administrative or other costs or expenses incurred by the sponsor and approved by the Commissioner

(Sections 8-214f through h, CGS)

Suggested Audit Procedures

- (1) Review the Assistance Agreement and Project Budget and Financing Plan to determine the costs allowed under the program.
- (2) Test financial records and reports by examining supporting information to determine whether costs are allowed under the Grant Award.

B. Eligibility

Compliance Requirements

- (1) The admission income limits for grant project(s) shall not exceed 50 percent of the area median income, adjusted for family size as determined from time to time by the U.S. Department of Housing and Urban Development, unless otherwise approved by the Commissioner.
- (2) The admission income limits for loan(s) or loan/grant combination project(s) shall not exceed 100 percent of the area median income, adjusted for family size, determined from time to time by the U.S. Department of Housing and Urban Development, unless otherwise approved by the Commissioner.

(Sections 8-214f through h, CGS) and (Regulation, Section 8-214h-8)

Suggested Audit Procedures

- (1) Review the procedures used to determine eligibility and evaluate for adequacy.
- (2) Review selected files and determine adherence to eligibility requirements.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Department of Economic and Community Development
Mutual Housing Program -- Development Fund
12064-ECD46000-40238-048 and 12065-ECD46000-40240-048

Compliance Requirements

Developers must have an equity interest in the total development cost of the project. Refer to contract for specific comments.

(Sections 8-214f through h, CGS) and (Regulations, Section 8-214h-2(d) and Section 8-214h-1(k))

Suggested Audit Procedures

Examine related records and determine adherence to requirements.

D. Special Reporting Requirements

Compliance Requirements

Developers are required to submit semi-annual financial statements to the DECD.

(Sections 8-214f through h, CGS)

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected statements to supporting documentation for agreement.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Payment-In-Lieu-Of-Taxes (PILOT)
11000-ECD46400-17012-039

I. PROGRAM OBJECTIVES

To provide grants up to 100% of ad valorem taxes to municipalities in which state-assisted low to moderate income housing projects are operated by Housing Authorities. The participating municipalities use this source of funds to offset the cost of municipal services proved to the project's tenants. In consideration of the State PILOT grant award, municipalities forgo collecting the payments due to them by the project, as evidenced by a Cooperation Agreement signed by both parties during the properties development. These funds, which the Housing Authorities otherwise would have paid to the municipality, may equal up to 12.5% of the shelter rent. The authorities may use the funds preserved by the municipal forbearance, for social services to the occupants, the operating costs or reserves of the property, or the maintenance or improvements of the physical quality of the property. (Section 8-216(b) of the CGS)

II. PROGRAM PROCEDURES

If the percentage of ad valorem tax (PILOT payment) offered by the State is too low, towns can refuse the PILOT payment grant offer. This will force the housing authority to pay out the funds set aside for payment of the taxes on the property. This loss will have a direct impact on the tenant rents.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

The auditor is not expected to test for allowability.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

The municipality shall submit a Requisition for PILOT Payment (Form L-311) to DECD indicating the total realty tax payments due the municipality during the fiscal year.

Suggested Audit Procedures

- (1) Obtain copies of submitted Form L-311 and review for completeness.
- (2) Compare tax payment due on Form L-311 with the assessment record and mill rate to ensure tax properly calculated.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Predevelopment Cost
12064-ECD46000-40238-016

I. PROGRAM OBJECTIVES

(Sections 8-410 and 411, CGS)

To provide interest-free loans and grants for predevelopment costs incurred with the construction, rehabilitation, or renovation of housing for low and moderate-income persons and families. Loan repayments must be made no later than receipt of permanent financing.

II. PROGRAM PROCEDURES

Funds are provided to housing authorities, nonprofit corporations, municipal developers, or partnerships having at least one non-profit partner upon approval of an application by the Department of Economic and Community Development ("DECD").

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

- (1) Interest-free loans are for costs that include:
 - Feasibility studies
 - Expenses incurred in project planning and design, including architectural expenses
 - Legal and financial expenses
 - Expenses incurred obtaining and paying for required permits and approvals
 - Options to purchase land
 - Expenses incurred in obtaining and paying for required project specific insurance
 - Other preliminary expenses authorized by the Commissioner of Economic and Community Development.
- (2) Grants are for costs that include:
 - Feasibility studies
 - Appraisals
 - Legal fees
 - Financial consulting expenses
 - Other planning expenses authorized by the Commissioner of Economic and Community Development.

Grants are limited to \$5,000, maximum.

Suggested Audit Procedures

- (1) Review the Grant Award to determine the costs allowed under the program.
- (2) Test financial records and reports by examining supporting information to determine whether costs are allowed under the Grant Award.
- (3) If funds were used for costs not identified as allowed, identify authorization by the Commissioner of Economic and Community Development.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

Grantees are required to submit quarterly financial reports to the DECD.

(Sections 8-410 and 411, CGS) and (Regulation Section 8-412-8)

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation for agreement.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Private Rental Investment and Mortgage Equity (PRIME)
12064-ECD46000-40237-017 and 12064-ECD46000-40238-017

I. PROGRAM OBJECTIVES

The objective of the PRIME Program is to provide a grant-in-aid to the Connecticut Housing Finance Authority (CHFA) for the purpose of permitting the CHFA to extend financial assistance in the form of a grant or deferred loan (second mortgage) to eligible nonprofit corporations to construct or rehabilitate 25 units or more of rental housing; provided the first mortgage is held by CHFA.

II. PROGRAM PROCEDURES

The Commissioner submits his recommendations for financing to the State Bond Commission. Upon approval by the State Bond Commission and approval of the first mortgage by the Board of CHFA, the Department of Economic and Community Development (DECD) may provide the grant-in-aid to CHFA and CHFA may enter into a contract with a developer to provide interim and/or permanent financing for the proposed rental housing development. The total amount of such grant-in-aid shall not exceed an amount equal to one-half of the project cost divided by the number of rental units multiplied by the number of low-income units in the project.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Funds may be used for the following purposes and are identified in an approved development budget:

- (1) costs of land acquisition
- (2) costs of site preparation
- (3) architectural, engineering, legal and other fees and charges in connection with planning, execution and financing
- (4) costs of studies
- (5) insurance, interest, financing, taxes
- (6) cost of construction or reconstruction
- (7) cost of land improvements
- (8) necessary expenses relating to initial occupancy

- (9) allowances for working capital, replacement and contingency reserves and anticipated operating deficits during the first two years of occupancy
- (10) Reasonable profit or fee to builder and developer
- (11) Cost of such other items the Commissioner deems reasonable and necessary for the development of the project (Section 8-400 (4) and (6) of CGS)

Suggested Audit Procedures

- (1) Obtain funding agreements (e.g., contract, loan or mortgage agreement, etc.) and review for authorization purposes and amounts.
- (2) Test expenditures and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

There are no reporting requirements.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Regional Economic Development Projects
12034-ECD46000-40224-092

I. PROGRAM OBJECTIVES

The Regional Economic Development Program provides grants for projects that will promote economic diversification, stability and growth. In addition, those such improvements, acquisitions and projects are a particularly effective investment of state funds because of their relative immobility in an increasingly global economy; such improvements, acquisitions and projects are particularly needed in communities experiencing significant military and industrial job losses; and regional cooperation in the planning and development of such improvements, acquisitions and projects is desirable and should be encouraged.

(Section 32-326, CGS)

II. PROGRAM PROCEDURES

The state contracts with eligible applicants for services related to property acquisition development, infrastructure development, residential or business relocation, administration, engineering and related services, marketing, short-term interest costs, and off-site development or any other project, which in the sole discretion of the Commissioner will significantly enhance economic diversification, stability, growth or scientific knowledge. Pass through grants and loans may be provided to companies located in these projects.

(Section 32-327(4), CGS)

“Agency” means any regional economic development commission formed under Sections 7-136 and 7-137, other regional development commission or corporation formed under any other provision of the General Statutes or any special act, any regional planning agency organized under the provisions of Chapter 127, regional council of governments organized under Section 4-124i to 4-123p, inclusive, or any regional council of elected officials organized under the provisions of Chapter 50 for planning and implementation of regional economic development.

(CGS 32-327 (2))

The total financial assistance under this act for any agency or project shall not exceed twenty million dollars of state funds plus any federal funds that the commissioner applies to the project.

(Section 32-328(d), CGS)

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

(1) Municipal, State, Federal and private funds may be used for costs items specified in the latest approved financing plan and budget and Project Assistance Agreement.

(2) These costs include but are not limited to:

- Land acquisition
- Renovation
- Engineering permits
- Rehabilitation
- Infrastructure development
- Business Relocation
- Physical development
- Administration
- Demolition
- Marketing
- Residential or site work
- Short-term interest borrowing
- Construction

Any other project, which in the sole discretion of the Commissioner will significantly enhance economic diversification, stability, growth, or scientific knowledge.

(Section 32-327(4), CGS)

Suggested Audit Procedures

(1) Review the grantee’s Assistance Agreement and financing plan and budget and determine allowed costs.

(2) Test expenditure and related records to ensure that costs are allowed.

Department of Economic and Community Development
Regional Economic Development Projects
12034-ECD46000-40224-092

B. Eligibility

The auditor is not expected to test for eligibility.

- (1) Obtain copies of submitted statements and reports and review for completeness and submission by required dates.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

- (2) Trace data in selected reports to supporting documentation.

Compliance Requirement

The maximum level of financial assistance to a project will be not more than ninety percent of total project costs in targeted investment communities, not more than seventy-five percent of total project costs in the case of a project in a region that includes a targeted investment community or not more than sixty-six and two-thirds percent of total project costs in the case of a project in a region that does not include a targeted investment community.

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

- (1) Determine the total expenditures by fund source of the program.
- (2) Examine revenue and expenditures to determine that appropriate matching of funds have been provided by the grantee.

Suggested Audit Procedures

- Obtain reconciliation of expenditures by contract.
- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
 - Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

D. Special Reporting Requirements

Compliance Requirements

Submission of the following reports is required by the grantee:

- (1) Requisitions for payment of state funds along with documentation describing the expenditure.
- (2) Notification to the Commissioner of any material adverse change in condition of grantee.
- (3) Notification to the Commissioner of any default under the projects documents or any other document.
- (4) Any other special reporting requirement stated in the grantee's Assistance Agreement.

E. Special Tests and Provisions

There are no special tests or provisions for the auditor to perform.

Suggested Audit Procedures

Department of Economic and Community Development
Rental Assistance Program (RAP)
11000-ECD46400-16084-102

I. PROGRAM OBJECTIVES

Rental assistance is provided for low income elderly persons residing in state-assisted rental housing for the elderly and congregate that will allow such person to afford decent, safe, and sanitary housing.

II. PROGRAM PROCEDURES

The state contracts with Housing Authorities as well as not-for-profit organizations to provide rental subsidies for tenants paying in excess of thirty percent of their adjusted gross income toward base rent and utilities. (Section 8-119kk, CGS)

IV. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types Of Services Allowed Or Disallowed

Compliance Requirements

Types of services allowed or disallowed will be detailed in each individual grant.

Suggested Audit Procedures

- (1) Review the contract for specific costs allowed or disallowed.
- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

Compliance Requirements

- (1) An eligible household consists of one or more persons, whose income does not exceed eighty percent (80%) of the median family income (low income) by family size in the applicable Standard Metropolitan and Non-Metropolitan Statistical Area as determined by HUD.
- (2) Elderly persons who reside in state-assisted rental housing for the elderly and are paying in excess of thirty percent (30%) of their adjusted gross income toward rent and utilities.
- (3) The contractor is required to accept applications for admission to the projects, determine whether the applicants are initially eligible, and annually recertify (for RAP recipients) tenants' family income, composition, and contribution to rent.

Suggested Audit Procedures

- (1) Select a sample of RAP recipients from the Rent Roll or RAP register and their related tenant files for review and verify that the tenant rents and rental assistance payment amounts were properly calculated on the tenant calculation forms, supported by documentation, and that an annual recertification is done.
- (2) Verify that the rental assistance (RAP) is based on the base rents shown in the Rent Roll and approved Management Plan.
- (3) Verify that the auditee established and currently maintains a Rent Roll or similar type of document, to record information on total rent, tenant rental payments, and rental assistance payments and that this document is used to control the recording of rental income and the requisitioning of rental assistance payments.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

The contractor must submit the following DECD forms in a timely manner.

- (1) Initial Master Agreement and Exhibit A (Certification and Tenant Rent Roll)
- (2) Revised Exhibit A for any year in which an amendment is needed.
- (3) Payment requisition form, twice per year.
- (4) Balance Sheet and Rent Roll must be submitted quarterly.

Suggested Audit Procedures

- (1) Obtain copies of submitted documents and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation for agreement.

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in

Department of Economic and Community Development
Rental Assistance Program (RAP)
11000-ECD46400-16084-102

the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

Obtain reconciliation of expenditures by contract.

- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Tests and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Resident Services Coordinator (RSC)
11000-ECD46400-12032-107

I. PROGRAM OBJECTIVES

The Resident Services Coordinator Program provides grant funds to owners/developers of State financed Elderly Housing to hire staff to perform an evaluation of all tenants. The evaluation process is used to determine the level of need of each tenant and to help coordinate those services available within the community. In addition, the Resident Services Coordinator (RSC) position is used to identify conflict among tenants and/or tenants and management and to aid in the reconciliation of these conflicts.
(Section 8-114d, CGS)

II. PROGRAM PROCEDURES

The Department provides Notice of Funding Availability, along with a program description and application. Upon a review procedure, including a rating and ranking system, applicants are chosen to participate and offered an Assistance Agreement. Based on the awarding of the agreement, grantees agree to provide services for which they are advanced funds semi annually, and to provide quarterly and annual reports on the progress of the program.

I. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

- (1) Types of services allowed or disallowed will be detailed in each individual grant.
- (2) The number of employee's hours charged to the DECD grant is limited by the number of units served.

Suggested Audit Procedures

- (1) Review the contract for specific costs allowed or disallowed.
- (2) Test expenditures and related records to ensure that costs are allowed.
- (3) Review employee records to confirm hours charged to DECD grant funds.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

The grantee must submit the following DECD forms in a timely manner:

- Assistance Agreement
- Application form (Exhibit A)
- Functional Assessment and Care Plan (Exhibit B)
- Quarterly Report (Exhibit C)
- Year End Narrative Report (Exhibit D)
- Payment requisition form, twice per year.
- Balance Sheet must be submitted quarterly.

Suggested Audit Procedures

- (1) Obtain copies of submitted documents and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation for agreement.
- (3) Test reports to ensure that all tenants have been evaluated and that arrangements have been made for all required services.

E. Special Test and Provisions

Compliance Requirements

The RSC grant award and program cost must be separately accounted for through the Administration Fund in order to permit the preparation of a DECD Certificate of Approved Program Cost and State Funding.

Suggested Audit Procedures

Test financial records and determine that the amounts considered as grant award and program cost are properly recorded.

Department of Economic and Community Development
Small Town Economic Assistance Program (STEAP)
12052-ECD46000-42411-075

I. PROGRAM OBJECTIVES

The objective of the Small Town Economic Assistance Program (STEAP) is to promote economic and community quality of life for localities ineligible for Urban Act bonds. Most towns with fewer than 30,000 people are eligible for the grants, which fund a wide range of physical development projects.

(Section 4-66g, CGS)

II. PROGRAM PROCEDURES

The state contracts with and provides bond funds to municipalities for economic development projects such as:

- 1) The construction or rehabilitation of commercial, industrial, and mixed-use structures; and the construction, reconstruction, or repair of roads, access ways and other site improvements, or such other activities approved by the Department of Economic and Community Development (DECD).
- 2) Urban transit;
- 3) Recreation and solid waste disposal projects;
- 4) Social service related projects, including day care centers, elderly centers, domestic violence and emergency homeless shelters, multi purpose human resource centers, and food distribution facilities;
- 5) Affordable housing projects;
- 6) Pilot historical preservation and redevelopment programs that leverage private funds; and
- 7) Other kinds of urban development projects involving economic and community development, transportation, environmental protection, public safety, children and families and social service programs, and library renovations and improvements.

No municipality may receive more than five hundred thousand dollars in any fiscal year under this program.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Services allowed are specified in the grantee's Assistance Agreement and the Project Financing Plan and Budget with the DECD.

(Sections 4-66g, CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the grantee's Assistance Agreement and Project Financing Plan and Budget and determine allowed costs.
- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

The amount of grantee participation, if any, is determined by project. The Assistance Agreement and Project Financing Plan and Budget will identify if there is a matching share. It can be a specific amount or a percentage of cost.

(Section 4-66g, CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the grantee's Assistance Agreement approved Financing Plan and Budget and determine the amount of grantee participation in the project, if any.
- (2) If applicable, examine the grantee's records and determine that the grantee has complied with the necessary participation amount.

Department of Economic and Community Development
Small Town Economic Assistance Program (STEAP)
12052-ECD46000-42411-075

D. Special Reporting Requirements

Compliance Requirements

Programmatic and financial reports may be required under the Assistance Agreement. DECD requires a semi-annual Balance Sheet and Statement of Program Costs from grantees 30 days after June 30th and December 31st until the expiration of the Financing Plan and Budget.

Suggested Audit Procedures

Review the Assistance Agreement and determine whether reports are required. If required:

- Obtain copies of reports and review for completeness and submission by required dates.
- Trace data in selected reports to supporting documents.

Compliance Requirements

All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

Obtain reconciliation of expenditures by contract.

- Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Special Contaminated Property Remediation And Insurance Fund (SCPRIF)
12021-ECD46200-40063-093

A. I. PROGRAM OBJECTIVES

The Special Contaminated Property Remediation and Insurance Fund (SCPRIF) is a loan program designed to help municipalities and businesses address site contamination problems and to assist in the reuse of "brownfield" sites. The Department of Economic and Community Development (DECD) and the Department of Environmental Protection (DEP) jointly administer the new Special Contaminated Property Remediation and Insurance Fund (SCPRIF). This program was created as a vehicle to redevelop commercial and industrial property that is underutilized due to possible site contamination by providing assistance to quantify remediation costs. The program provides loans to complete environmental site assessments and for the demolition of existing structures necessary to prepare property for reuse.

The objective of the program is to encourage public and private partnerships to jointly study, remediate, and redevelop previously used industrial and commercial properties. The program seeks to "level the playing field" for underutilized properties by clarifying the environmental conditions, preparing a work plan necessary to meet the appropriate environmental standards, and removing existing obstructions to reuse. The completion of these program activities will encourage private sector reuse of such sites by identifying obstacles to redevelopment. This program is being operated in a cooperative manner between DECD and DEP to assure that remediation and development issues are addressed in a coordinated manner. Loans awarded under this program may be forgiven under certain economic conditions.

Action Work Plans, and demolition activities including lead and asbestos abatement removal in "brownfield" areas that are necessary for property redevelopment. Any demolition activities must be subsequent to a Phase III Environmental Site Investigation.

Applications for financial assistance are approved by the SCPRIF Advisory Board, which in turn makes a recommendation for funding to the Commissioner of DECD. DECD acts as a liaison with DEP staff during the review process. The recipient of SCPRIF funds will repay the State upon sale or lease of the property or upon approval of a final remedial action report in accordance with the terms of the program. In the event that the assessment determines that the redevelopment of the site is not feasible due to the cost of remediation, loans made under the program may be forgiven.

(Section 22a-133u, CGS)

II. PROGRAM PROCEDURES

Any municipality, corporation, business or individual is eligible to apply for SCPRIF funds except a person or entity that has created or continues to contribute to the contamination of a site. In such cases, the person(s) or entity must arrange sponsorship from the municipality where the site is located. Eligible activities include the preparation of Phase II Environmental Site Assessments, Phase III Environmental Site Investigations and Remedial

Department of Economic and Community Development
Special Contaminated Property Remediation And Insurance Fund (SCPRIF)
12021-ECD46200-40063-093

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

- (1) Costs allowed are described in the grantee's project Assistance Agreement and Project Financing Plan and Budget with the Department of Economic and Community Development and the approved project documents
- (2) These costs include but are not limited to:
 - Phase II Environmental Site Assessments
 - Phase III Environmental Site Investigations of real property and Remedial Action Work Plans
 - Demolition activities necessary to prepare a property for redevelopment, including lead and asbestos abatement removal (any demolition activities must be subsequent to a Phase III Environmental Site Investigation).

Suggested Audit Procedures

- (1) Obtain a copy of the grantee's Assistance Agreement and approved Project Financing Plan and Budget.
- (2) Test expenditures and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

- (1) Submission of regular written progress reports setting forth in detail the work performed and

including copies of all studies, reports and plans generated in connection with the Project is required by the grantee.

- (2) Submission of certain other reports may be required by the grantee under the Assistance Agreement.

Suggested Audit Procedures

- (1) Review the grantee's Assistance Agreement for reporting requirements.
- (2) Review copies of submitted reports and determine that reports were filed as required.

E. Special Tests and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Special Act Grants
12052-ECD46000-various

II. PROGRAM OBJECTIVES

The objective of the Special Act Grants program is to provide specific, targeted economic development assistance to municipalities, as decided annually through the Special Act appropriation of the General Assembly.

(Section 8-151, CGS)

II. PROGRAM PROCEDURES

The state contracts for economic development with municipalities and not-for-profit agencies.

IV. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Services allowed are specified in the grantee's Assistance Agreement and approved Project Financing Plan and Budget with the Department of Economic and Community Development.

(Sections 8-151 and 32-1c, CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the grantee's Assistance Agreement and Project Financing Plan and Budget and determine allowed costs.
- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

A matching fund requirement, if any, is determined by project as specified in the Assistance Agreement and Project Financing Plan and Budget.

(Section 32-1c, CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the grantee's Assistance Agreement and Approved Financing Plan and Budget and determine the amount of grantee participation in the project, if any.
- (2) If applicable, examine the grantee's records and determine that the grantee has complied with the necessary participation amount.

D. Special Reporting Requirements

Compliance Requirements

- (1) Programmatic and financial reports may be required under the Assistance Agreement.
- (2) All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

- (1) Review the Assistance Agreement and determine whether reports are required. If required:
 - Obtain copies of reports and review for completeness and submission by required dates.
 - Trace data in selected reports to supporting documents.
- (2) Obtain reconciliation of expenditures by contract.
 - Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.
 - Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Tax Abatement Program
11000-ECD46400-17008-038

I. PROGRAM OBJECTIVES

To help the financial feasibility of privately owned nonprofit and limited dividend low and moderate income housing projects by providing reimbursement for taxes abated up to \$450 per unit per year for up to 40 years. The abatement of taxes enables the owners to maintain the rents at an affordable level for the tenants.

(Section 8-216(a) of the CGS)

- (2) Review the Grand List and Tax Rate Book to ensure that the information reported on Form L-507 agrees with the supporting documentation of the municipality.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

II. PROGRAM PROCEDURES

The municipalities receiving tax abatement grants are currently under contractual agreements for the current appropriated level. In the event the State reduces the Municipal reimbursement amount, rent levels will probably be increased if the municipality also reduces abatement of taxes to mirror the reimbursed level they will receive.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

The auditor is not expected to test for allowability.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

The municipality shall submit a Request for Tax Abatement Reimbursement (Form L-507) to DECD indicating the total assessment, assessment ratio, tax rate, total taxes and total taxes abated on the property.

Suggested Audit Procedures

- (1) Obtain copy of submitted Form L-507 and review for completeness.

Department of Economic and Community Development
Urban Action Bonds
13019-ECD46000-41236-093 (DECD) and 13019-ECD46000-41240-094 (OPM)

II. PROGRAM OBJECTIVES

The objectives of the Urban Action Bonds program are to redirect, improve, and expand state activities that promote community conservation and development and improve the quality of life for urban residents of the state.

(Section 4-66c, CGS)

II. PROGRAM PROCEDURES

The state contracts with and provides bond funds to municipalities for economic development projects such as the construction or rehabilitation of commercial, industrial, and mixed use structures; and the construction, reconstruction, or repair of roads, access ways and other site improvements, or such other activities approved by the Department of Economic and Community Development ("DECD").

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Services allowed are specified in the grantee's Assistance Agreement and Project Financing Plan and Budget with the DECD.

(Section 4-66c, CGS)

Suggested Audit Procedures

- (1) Obtain a copy of the grantee's Assistance Agreement and Project Financing Plan and Budget to determine the allowed costs.
- (2) Test expenditure and related records to ensure that costs are allowed.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

Compliance Requirements

The amount of grantee participation, if any, is determined by project. The Assistance Agreement and Project Financing Plan and Budget will identify if there is a matching share. It can be a specific amount or a percentage of cost.

(Section 4-66c, CGS)

Suggested Audit Procedures

- (1) Review the grantee's Assistance Agreement and approved Project Financing Plan and Budget and determine the amount of grantee participation in the project, if any.
- (2) If applicable, examine the grantee's records and determine that it has complied with the necessary participation requirements.

D. Special Reporting Requirements

Compliance Requirements

- (1) Programmatic and financial reports may be required under the Assistance Agreement. DECD requires a semi-annual Balance Sheet and Statement of Program Costs from grantees 30 days after June 30th and December 31st until the expiration of the Financing Plan and Budget.
- (2) All entities are required to submit a reconciliation of expenditures by contract to the amount reported in the State Single Audit Schedule of State Financial Assistance. The reconciliation should be filed at the same time as the audit report.

Suggested Audit Procedures

- (1) Review the Assistance Agreement and determine whether reports are required. If required:
 - Obtain copies of reports and review for completeness and submission by required dates.
 - Trace data in selected reports to supporting documents.
- (2) Obtain reconciliation of expenditures by contract.
 - Trace the amounts reported in the reconciliation of expenditures by contract to the accounting records that support the financial statements for each contract and the schedule of expenditures of state awards.

Urban Action Bonds

13019-ECD46000-41236-093 (DECD) and 13019-ECD46000-41240-094 (OPM)

- Verify agreement or perform alternative procedures to verify the accuracy and completeness of the reports and that they agree with the accounting records.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform.

Department of Economic and Community Development
Urban Homesteading
12065-ECD46000-40240-012 and 12064-ECD46000-40238-012

I. PROGRAM OBJECTIVES

To provide home-ownership opportunities to low and moderate income persons, and to return to use as decent, safe, and sanitary housing, vacant, abandoned, and deteriorating residential properties.

II. PROGRAM PROCEDURES

The program contracts with urban homesteading agencies for services related to providing low interest loans to urban homesteaders for the purchase and rehabilitation of, or construction on, urban homestead property. The urban homesteading agency shall select from among applicants for urban homestead program property those applicants who in the determination of the agency can acquire the necessary financial and technical resources to rehabilitate or construct, own and manage urban homestead program property. Such property shall be offered to qualified applicants in accordance with specific priorities.

III. COMPLIANCE REQUIREMENTS AND SUGGESTED AUDIT PROCEDURES

A. Types of Services Allowed or Disallowed

Compliance Requirements

Loans and grants shall be made from the Urban Homesteading Fund for the purchase, rehabilitation of, or construction on, eligible urban homesteading properties. Eligible costs are acquisition, rehabilitation, or construction costs determined eligible and approved by the Commissioner of Economic and Community Development.

(Section 8-169w, CGS)

Suggested Audit Procedures

- (1) Review the Assistance Agreement and Project Financing Plan and Budget to determine the costs allowed under the program.
- (2) Test financial records and reports by examining supporting information to determine whether costs are allowed under the Grant Award.

B. Eligibility

The auditor is not expected to test for eligibility.

C. Matching, Level-of-Effort, and/or Earmarking Requirements

There are no matching, level-of-effort, or earmarking requirements.

D. Special Reporting Requirements

Compliance Requirements

Agencies are required to submit monthly status reports and quarterly financial statements to the Department of Economic and Community Development ("DECD").

Suggested Audit Procedures

- (1) Obtain copies of submitted reports and review for completeness and submission by required dates.
- (2) Trace data in selected reports to supporting documentation.

E. Special Test and Provisions

There are no special tests or provisions for the auditor to perform

